

**AN OVERVIEW OF  
THE  
STATE BOARD OF ACCOUNTS**

---

In the early 1900's, the citizens of Indiana became outraged at the numerous and continuous instances of theft of public funds. However, when these instances of theft became apparent, it was almost impossible to verify the amount of shortage of funds since bookkeeping requirements were non-existent. In response to the public's perception of widespread corruption, the General Assembly created a Department of Inspection and Supervision of Public Offices in 1909.

The Department was to be administered by the State Board of Accounts. As originally established, the Governor, Auditor of State and State Examiner comprised the State Board of Accounts. In 1945, the General Assembly changed the composition of the State Board of Accounts. The Board now consists of the State Examiner and two Deputy State Examiners.

As in 1909, the primary responsibilities of the State Board of Accounts are to conduct post audits of all public offices, to ensure compliance with the statutes of Indiana, to prescribe and approve forms and create a uniform system of accounting and financial reporting in Indiana for all units of government.

In recent years, the State Board of Accounts has been given additional statutory responsibilities in the areas of federal fund audits, audits of nongovernmental entities, election recounts, and special studies created by the General Assembly. The State Board of Accounts also has been an active participant in various administrative and legislative study committees. The State Examiner participates on the State Board for Depositories and the Oversight Commission on Public Records by statute. In addition, board members are active members of the Association of Government Accountants, the National Association of State Auditors, the Government Finance Officers Association, and many other national and state organizations committed to the improvement of government accounting and auditing.

The current Board Members of the State Board of Accounts are:

**Bruce Hartman, CPA, State Examiner  
Michael Bozymski, CPA, Deputy State Examiner  
Paul Joyce, CPA, Deputy State Examiner**

**State Examiners 1909-2006**

William DeHority 1909-1913	Robert R. Wickersham 1953-1957
Gilbert H. Hendren 1913-1919	Thomas M. Hindman 1957-1961
Jesse E. Eschbach 1919-1923	Buell B. McDonald 1961-1965
Lawrence F. Orr 1923-1933	Richard L. Worley 1965-1969
William P. Cosgrove 1933-1938	Kenneth R. Beesley 1969-1981
Edward P. Brennan 1939-1941	M. F. Renner 1981-1985
Otto K. Jensen 1941-1945	James M. Gutting 1985-1989
Clarence E. Ruston 1945-1949	Donald L. Euratte 1989-1997
Otto K. Jensen 1949-1953	Charles Johnson III 1997-2005
Bruce Hartman 2006	

**Types of Audits/Reviews**

Financial Statement Audits

OMB Circular A-133 Audits

State and Local Compliance Audits

Information Technology Audits

Special audits - shortages, misappropriations, public works and contracts, fraud audits

Agreed Upon Procedure Reviews

Examinations

### **Governmental Entities Audited**

- Airport Authorities
- Area Library Service Authorities
- Cities
- Counties
- Conservancy Districts
- Educational Service Centers
- Fire Districts
- Flood Control Districts
- Hospitals
- Information Technology Services Audits
- Libraries
- Military Reuse Authorities
- Nongovernmental Entities
- Port Authorities
- Redevelopment Authorities
- Regional Planning Commissions
- Regional Sewer Districts
- Regional Water Districts
- Schools
- School Special Educational Cooperatives
- School Vocational Cooperatives
- Solid Waste Districts
- State Offices, Departments and License Branches
- Sanitary Districts
- State Universities
- Storm Water Management District
- Towns
- Townships
- Transportation Authorities
- Utilities:
  - Electric
  - Gas
  - Sanitation
  - Storm Water
  - Wastewater
  - Water

### **Central Office Functions**

The central office of the State Board of Accounts' administrative support staff is comprised of twenty individuals who are a strong and efficient team, which enables the agency to maintain an exemplary level of professionalism.

In fiscal year 2005, a word processing staff of four produced over 2,494 school corporation, license branch, county, hospital, city/town, township and library audit reports. Additionally, fourteen different manuals, four quarterly bulletins, The Roster of State and Local Officials and a host of assorted labels, inventory listings, annual report forms and correspondence were produced for over 4,500 officials and employees.

State Board of Accounts' support staff reviews, edits and prints audit reports. Agency clerical staff are responsible for preparing and editing over 2,200 Certified Personnel Reports (100-R forms) and over 1,600 annual reports per year from local units. Information from these forms and reports is maintained by the State Board of Accounts as a public record.

### **Office Supervisors**

The Office Supervisor positions are organized on a functional basis. Each is a specialist in a specific type of governmental unit. The main areas are state agencies, counties, cities and towns, schools and townships, libraries, hospitals, universities, and nongovernmental entities. These supervisors communicate directly with both the field staff and local governmental officials on a daily basis.

### **Office Supervisors' Telephone Numbers**

Tammy Baker	Not-for Profits and Budgets	232-2525	<a href="mailto:tbaker@sboa.in.gov">tbaker@sboa.in.gov</a>
Jan Correll	State Universities, BMVC License Branches	232-2525	<a href="mailto:jcorrell@sboa.in.gov">jcorrell@sboa.in.gov</a>
John Eppley	Information Systems Audit	232-2525	<a href="mailto:jeppley@sboa.in.gov">jeppley@sboa.in.gov</a>
Michael A. Hoose	State Offices	232-2525	<a href="mailto:mhoose@sboa.in.gov">mhoose@sboa.in.gov</a>
Stanley A. Mettler	Schools and Townships	232-2520	<a href="mailto:smettler@sboa.in.gov">smettler@sboa.in.gov</a>
Charles W. Nemeth	Schools and Townships	232-2520	<a href="mailto:cnemeth@sboa.in.gov">cnemeth@sboa.in.gov</a>
Charles W. Pride	Cities, Towns and Utilities	232-2521	<a href="mailto:cpride@sboa.in.gov">cpride@sboa.in.gov</a>
Mike Rogina	Field Staff Coordinator, Technical and A133	233-8817	<a href="mailto:mrogina@sboa.in.gov">mrogina@sboa.in.gov</a>
Todd Austin	Hospitals, Utilities, Special Districts, and CAFR	232-2521	<a href="mailto:Taustin@sboa.in.gov">Taustin@sboa.in.gov</a>
Tammy R. White	Counties	232-2512	<a href="mailto:twhite@sboa.in.gov">twhite@sboa.in.gov</a>
Charles Johnson	Counties	232-2512	<a href="mailto:cjohnson@sboa.in.gov">cjohnson@sboa.in.gov</a>

### **Field Supervisors and Counties Assigned**

Kerry Fleming:	Bartholomew; Brown; Hendricks; Johnson; Monroe; Morgan
Mary Jo Small:	Lake; LaPorte; Porter
Richard Cole:	Boone; Carroll; Clinton; Hamilton; Howard; Tipton
Jan Correll:	State Universities, BMVC License Branches
Gary DeWitt:	Adams; Grant; Huntington; Wabash; Wells; Whitley
Douglas Wiese:	Elkhart; Kosciusko; Marshall; St. Joseph
William Akey:	Allen; DeKalb; LaGrange; Noble; Steuben
Dean Gerlach:	Cass; Fulton; Jasper; Miami; Newton; Pulaski; Starke; White
Michael Hoose:	State Agencies
John Irelan:	Benton; Fountain; Montgomery; Tippecanoe; Parke; Warren
Melvin Jarrett:	Hancock; Madison; Marion
Ron Radford:	Decatur; Fayette; Franklin; Henry; Rush; Shelby; Union
William Ragsdale:	Daviess; Dubois; Greene; Knox; Martin; Pike
Ronald Robertson:	Clark; Dearborn; Jefferson; Jennings; Ohio; Ripley; Scott; Switzerland
Scott Shireman:	Crawford; Floyd; Harrison; Jackson; Lawrence; Orange; Washington
Tom Simpson:	Gibson; Perry; Posey; Spencer; Vanderburgh; Warrick
William Vinson:	Blackford; Delaware; Jay; Randolph; Wayne
Michael Williams:	Clay; Owen; Parke; Putnam; Sullivan; Vigo Vermillion

### **Field Staff**

The Department has grown from a field audit force of twenty-five field examiners in 1909 to a current total staff (professional and clerical) of 284. Individuals are required by statute to pass a competitive written examination before they can be considered for a position as a field examiner. Individual possessing the following minimum qualifications shall be deemed to have passed the examination. (1.) Master degree, baccalaureate degree, or a post baccalaureate certificate (or currently enrolled in final semester of same) with a major in accounting and a cumulative grade point average 2.8 on a 4.0 scale. (2.) Successful completion of all parts of the uniform certified public accountant examination. Currently, 91% of our employees have a BS degree or higher and 133 Field Examiners are Certified Public Accountants.

The State is currently divided into eighteen districts. Each district has a field supervisor and at least one auditor-in-charge (assistant supervisor) and a number of field examiners and audit assistants depending on the size of the district. Field supervisors assign staff to lead the audits and review reports. Employees of the State Board of Accounts live throughout the State. Field staff performs the audits and provide assistance to public officials in their daily functions.

### **Professional Development**

Since 1984, the State Board of Accounts has been providing an average of forty hours of Continuing Professional Education (CPE) per year to all field examiners as required by professional standards.

Annually, the State Examiner assesses the organization's continuing education needs and plans our professional development program by considering the number of hours needed by the professional staff to comply with the requirements of the AICPA, Indiana State Board of Accountancy, and the United States General Accountability Office; changes in rules governing our organization; changes in applicable accounting procedures or standards; prior continuing education; the organization's need for specialization or expertise in a particular area; and CPE activities that interest the professional staff.

This organization has determined that it will offer in-house training to obtain the necessary hours of continuing professional education. One day seminar presentations are made at ten locations throughout the state during the year. An additional thirteen hours of CPE is provided at the Indiana State Board of Accounts Annual Meeting. This is a two day meeting where office supervisors, board members and guest speakers have the opportunity to speak to all field examiners and audit assistants.

The State Board of Accounts is dedicated to maintaining high professional development standards, while continually striving for excellence in technical knowledge.

## **STATE AGENCIES**

### **Overview**

There are over 120 state agencies consisting of elected officials, departments, commissions, boards and institutions. The majority of these state units are required to comply with general state statutes, rules and regulations and specific sections of the Indiana Code which detail their unique powers, duties, and responsibilities.

### **Certificate of Achievement**

For the State of Indiana Comprehensive Annual Financial Report, the Auditor of State has received the Government Finance Officers' Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting. The State Board of Accounts works closely with the Auditor of State's office to ensure that the stringent requirements of the program are met and that the audit of the financial report is completed by the Government Finance Officers' Association's deadline. Indiana has received the award every year since first achieving it for fiscal 1993.

Several state entities maintain financial records independent of the Auditor of State's accounting system. Therefore, each July through September, the majority of the State Board of Accounts' staff assigned to state agency audits are performing audits of financial statements that will feed directly into the State's Comprehensive Annual Financial Report.

### **Federal Financial Assistance**

Approximately forty state units receive federal assistance. In addition to compliance with state statutes and regulations, these units are required to comply with specific federal regulations. The State Board of Accounts is required to annually audit the federal programs in compliance with the OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. The staff at the State Board of Accounts must continually be aware of changing regulations to ensure proper audit coverage.

### **Uniform Accounting Procedures**

In order to provide more uniform accounting procedures and assist administrators and bookkeepers in fulfilling their responsibilities, the State Board of Accounts prepares the Accounting and Uniform Compliance Guidelines Manual for State Agencies. The manual provides necessary information on many aspects of the State's accounting system.

The State Board of Accounts is constantly working with other state agencies to improve the overall accountability and efficiency of state government.

## **LICENSE BRANCHES**

### **Overview**

IC 9-16-5-2 requires the State Board of Accounts to conduct an annual audit of each account of 168 license branches. A normal audit includes reviews of cash transactions, inventory controls of accountable items sold by the branch, and compliance with statutes and policies of the State.

## **COUNTIES**

### **Overview**

Audits of Indiana's ninety-two counties are performed on an annual basis. The scope of each audit includes federal programs, elected officials, offices, and departments that make up county government. A county audit can generate from one to fifteen reports per year depending on the composition of the county and the necessity for issuance of an audit report.

### **Training for Elected County Officials**

The State Board of Accounts conducts training in accounting and compliance procedures for County Auditors, Treasurers, Recorders, Clerks of the Circuit Court, Sheriffs, Commissioners, Councils, Health Departments, Judges, Prosecuting Attorneys, Probation Offices, Planning Commissions, and Animal Control Centers. Each year, at least seventy days are devoted to the preparation and training for the various elected and appointed officials of county government.

### **Communication**

Each year the State Board of Accounts responds to numerous letters and telephone calls from state and local officials as well as private citizens and companies concerning county accounting and compliance procedures. Some specific topics that have required extensive research are:

- Court Costs
- Sheriff Meal Allowances
- Property Taxation
- Tax Sales
- ISETS (Indiana Support Enforcement Tracking System)
- License Excise Tax Refunds

### **County Manuals and Bulletins**

The following County Manuals are revised to reflect changes in laws passed by the General Assembly:

- Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana
- Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana
- Accounting and Uniform Compliance Guidelines Manual for Clerks of the Circuit Courts of Indiana
- Accounting and Uniform Compliance Guidelines Manual County Recorders of Indiana
- Accounting and Uniform Compliance Guidelines Manual for Public Drainage Funds

The State Board of Accounts publishes quarterly *The County Bulletin* for distribution to all county officials and State Board of Accounts professional staff. *The County Bulletin* contains a calendar of important dates pertinent to county government. It also provides information concerning fees, accounting procedures, and statutory duties of local officials. A special *County Bulletin* is issued in June that digests all the new public laws applicable to county government passed during the last legislative session. These bulletins are a compilation of ten years of information and are indexed by subject matter.

### **County Audit Programs, Report Formats, and Forms**

The State Board of Accounts continually revises the county audit programs and report formats for financial auditing and reporting changes in state and federal compliance requirements. With the law changes as passed by the General Assembly, the State Board of Accounts must annually evaluate the prescribed accounting forms and revise or prescribe new forms to meet these statutory requirements.

### **Other Involvements**

State Board of Accounts personnel serve on the following committees to help resolve issues at the county government level:

- Supreme Court Records Management Committee
- Local Property Tax Control Board

## CITIES AND TOWNS

### Overview

The State of Indiana has 117 cities and 450 towns. Cities range in population from 1,209 (Cannelton) to over 780,000 (Indianapolis Univov). Towns range in population from 28 (River Forest) to over 37,000 (Fishers).

Municipalities are classified according to their status and population as follows:

Status and Population	Class	Number
Cities of 250,000 or More	First Class Cities	1
Cities of 35,000 to 249,999	Second Class Cities	19
Cities of Less Than 35,000	Third Class Cities	97
Other Municipalities of Any Population	Towns	450

The State Board of Accounts is required by statute, to annually audit all cities (117) and towns with a population greater than 5,000 (20). All other towns (430) shall be audited biennially (IC 5-11-1-25).

### Public Official Training and Other Public Meetings

1. Annual Training Institute. IC 5-11-14-2 requires the State Board of Accounts to conduct an annual training institute for clerk-treasurers. A typical agenda includes representatives of the State Board of Accounts discussing audit positions and the digest of new legislation affecting cities and towns and conducting training in accounting procedures. Representatives of state agencies that deal directly with cities and towns (i.e., Department of Local Government Finance, Department of Revenue, Public Employees' Retirement Fund, Department of Workforce Development, Department of Administration) and representatives of federal agencies (i.e., Internal Revenue Service, Social Security Administration, Wage and Hour Division of the Department of Labor) assist in the presentation. Time is set aside in all sessions for questions and answers.
2. Accounting Workshop. Indiana League of Municipal Clerks and Treasurers (ILMCT): An annual convention is held each April by ILMCT for attendance by all member municipal clerks, controllers and clerk-treasurers. The State Board of Accounts conducts an accounting workshop on one of the days of the convention.
3. New Fiscal Officer Training. As a result of the State Board of Accounts New Fiscal Officer Training, a series of regional meetings are conducted around the state to better train new fiscal officers in their accounting procedures and to instruct and answer questions relating to the statutory requirements of their offices. State Board of Accounts field supervisors participate in each regional meeting to better acquaint themselves with the new officials.

Indiana Association of Cities and Towns (IACT): IACT sponsored conferences are conducted for newly elected municipal officials. The State Board of Accounts is asked to participate in training sessions for new officials. Representatives discuss the duties and responsibilities of the State Board of Accounts and general statutes relating to the new officials.



Law Enforcement Training Academy: Annually, the Law Enforcement Training Academy, Plainfield, requests that the State Board of Accounts conduct a four hour training session designed specifically for newly appointed chiefs of police and town marshals as a portion of a five day session arranged by the Academy and Town Marshals.

City Budget Workshops: Each summer, IACT sponsors regional meetings designed to assist city and town officials in preparing their budgets. The State Board of Accounts presents a portion of the training. Topics discussed include but are not limited to, sources of revenue, budget forms to be used, and various city officials' budget responsibilities.

4. Other Public Meetings. Each fall, two regional meetings are scheduled by ILMCT. The State Board of Accounts and the Department of Local Government Finance share the program responsibilities for these meetings. Each meeting has approximately 150 registrants.

Indiana Association of Cities and Towns (IACT): Each September, IACT holds a convention for all member cities and towns. During the convention, a number of concurrent sessions are held on topics of current interest. The State Board of Accounts is asked to attend in order to answer informal questions presented during the convention and to make formal presentations during the concurrent sessions.

Indiana Judicial Commission: Annually, a statewide meeting is held by the Indiana Judicial Commission for city and town court judges and other court officials. The State Board of Accounts is asked to give a presentation on new legislation, the court costs system, and court accounting forms.

### **Cities and Towns Manual**

An Accounting and Uniform Compliance Guidelines Manual for Cities and Towns is updated and revised each year. The manual and revisions are furnished to all city controllers, city clerks and city and town clerk-treasurers. The manual is also furnished to each field examiner for assistance in auditing cities and towns. The manual contains accounting requirements, forms, and uniform compliance guidelines.

### **Court Manual**

An Accounting and Uniform Compliance Guidelines Manual for City and Town Courts was first issued in 1996 and furnished to all city and town courts to assist court clerks in accounting for court fees.

### **Cities and Towns Bulletins**

In March, June, September and December of each year, a Cities and Towns Bulletin is prepared and circulated to all city controllers, city clerks, city and town clerk-treasurers, and State Board of Accounts professional staff. The bulletin contains articles of current interest deemed beneficial to the officials in the conduct of their duties. Each year a legal digest is included listing those newly enacted statutes that pertain to cities and towns. The bulletins are kept on a ten-year cycle. Old articles are reviewed each year and either repeated, revised or deleted. The index is revised at the close of each year to include new articles and to delete outdated articles.

## **Memoranda**

During the course of the year, various types of information, including current late-breaking developments of interest due to new legislation, new court decisions, new Attorney General opinions or new audit positions of the State Board of Accounts, are furnished in a timely manner to the city and town officials and State Board of Accounts staff.

## **Telephone Calls, E-mail, and Correspondence**

A major duty of the office supervisor for cities and towns is receiving telephone calls, e-mails, and responding to correspondence on behalf of the State Examiner. Numerous telephone calls, e-mails, and correspondences are received from city and town officials, State Board of Accounts audit staff, and the general public. Many calls received are from city and town attorneys seeking the State Board of Accounts audit position for a particular situation. Utilization is made of our extensive files of past Attorney General opinions and court decisions accumulated over ninety-seven years of State Board of Accounts experience and activity. In responding to correspondence on behalf of the State Examiner, the supervisor assists the board in formulating audit positions in his area.

The supervisor works closely with all State Board of Accounts personnel (board, office supervisors, field supervisors, and audit staff) to keep them informed on the latest legislation, both state and federal, and any other current developments relative to auditing and accounting procedures for cities and towns.

## **Other Supervisory Duties**

The city and town supervisor is frequently requested to represent the State Examiner at various meetings including, but not limited to, those of legislative committees, study commissions, the Indiana Governmental Finance Officers' Association, the Indiana Association of Cities and Towns, and the Indiana League of Municipal Clerks and Treasurers.

# **MUNICIPAL UTILITIES AND SPECIAL DISTRICTS**

## **Overview**

There are 910 municipally owned utilities (382 water, 422 wastewater, 74 electric, 18 gas, 11 transportation, and three (3) storm water) in Indiana that require auditing. There are also over 300 special districts (conservancies, solid waste, regional water and sewer, etc.) that are also audited by the State Board of Accounts. The city and town supervisor and the utility and special districts supervisors are responsible for numerous functions and duties regarding these units of government. These supervisors have the responsibility to provide technical assistance for the audits of these utilities. In addition, the supervisors are responsible for implementing all new auditing standards and accounting principles adopted by the various standard-setting bodies and any new legislation enacted by the Indiana General Assembly.

## **Special Districts Manual**

An Accounting and Uniform Compliance Guidelines Manual for Special Districts was first issued in 1997 to all district fiscal officers to assist them in their accounting responsibilities.

### **Public Officials Training and Meetings**

The following meetings and workshops are conducted throughout the State to inform and train public officials and employees of utilities.

- The Indiana Water Association: The State Board of Accounts participates in panel discussions at meetings of the Indiana Water Association regarding auditing and accounting for municipal water utilities.
- Indiana Rural Water Association: The State Board of Accounts participates in accounting sessions and workshops.
- Utility Bookkeeping Workshops: Periodically, bookkeeping workshops are conducted to teach correct utility bookkeeping methods. They are conducted for city and town clerk-treasurers and utility bookkeepers. The primary emphasis of the workshops is placed on teaching accrual basis double-entry accounting.
- The State Board of Accounts participates in Solid Waste Management District Association Workshops.
- Meetings are held with utility and state officials to answer inquiries and to present audit positions.
- The State Board of Accounts representatives often attend legislative hearings regarding utility matters and testify at such hearings when requested.

## **SCHOOLS AND TOWNSHIPS**

### **Overview**

Indiana currently has 369 public school corporations school cooperatives, and charter schools, consisting of over 1,900 individual schools. Biennial audits are required for school corporations' curricular and extra-curricular accounts. Biennial audits are also required for all of Indiana's 1,008 townships.

### **Public Officials Training and Meetings**

School and Township meetings are conducted around the State as training and communication tools intended to enhance accounting and compliance with federal mandates and legislation passed by the Indiana General Assembly.

Budget Workshops are held in conjunction with the Department of Education and the Department of Local Government Finance. Topics discussed include recent legislation of the Indiana General Assembly, timely budgeting matters, forms and accounting changes.

New superintendent training sessions intended for the orientation of accounting and auditing procedures are conducted in cooperation with the Indiana Association of Public School Superintendents (IAPSS).

The Annual Meeting for the Indiana Association of School Business Officials affords the opportunity to present audit positions and answers questions of school business managers and school corporation treasurers.

In-house conferences with vendors, state officials (various divisions of the Department of Education, Department of Local Government Finance, Attorney General, etc.) and school and township officials are held for sharing information and answering inquiries.

State Board of Accounts supervisors attend legislative hearings concerning school and township matters and testify when requested. Subsequent to the conclusion of the legislative session, a digest of pertinent school and township matters is compiled, printed and distributed to appropriate officials.

The State Board of Accounts has sponsored meetings for extra-curricular treasurers. Meetings for township officials are held in addition to the annual meeting in conjunction with the Township Association in November. New trustee training sessions are held periodically.

### **Audits of Title I and School and Community Nutrition Programs**

The State Board of Accounts includes a questionnaire of the Title I Program in required audit procedures, as required by an agreement with the Department of Education. The completed questionnaires and a quarterly listing of those school corporations audited for both Title I and School and Community Nutrition are transmitted to the Department of Education.

### **Bulletins**

Every March, June, September and December, The School Administrator and Uniform Compliance Guidelines is issued to school corporation superintendents, treasurers, and State Board of Accounts professional staff, providing them with a calendar reminder of duties and numerous timely articles concerning State Board of Accounts' audit positions. A Township Bulletin and Uniform Compliance Guidelines is issued every February, May, August and November, conveying the same types of information to Township Trustees.

### **Manuals**

The Accounting and Uniform Compliance Guidelines Manual for Townships. Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts and Accounting and Uniform Compliance Guidelines Manual for Public School Corporations are updated annually. The manuals contain detailed accounting procedures, legal references, prescribed forms, uniform compliance guidelines, and numerous other topics which help officials maintain proper accounting of funds as mandated by the Legislature.

### **Tax Control Boards**

The State Board of Accounts is a voting member of the School Property Tax Control Board and the Local Government Tax Control Board.

### **Telephone Calls, E-mails, and Correspondence**

Numerous telephone and letter inquiries on school and township matters are answered each year. Officials, taxpayers, legislators and individuals from other governmental departments are advised of State Board of Accounts audit positions. Assistance is also provided to State Board of Accounts field staff. Elected and appointed officials have often expressed gratitude for the timely service provided in completing their statutory duties.

### **Form 9, Annual Report, Chart of Accounts and Audit Report**

The Department of Education and the State Board of Accounts have cooperated over the past few years in a project referred to as the "Form 9" project. Form 9 is a semiannual financial report required by the Department of Education to be filed by all school corporations. The Department of Education inputs the information and the State Board of Accounts Information Systems Audit division converts the data to conform with reporting requirements. The Information Systems Audit division of the State Board of Accounts prepares the information for field staff usage.

## **LIBRARIES**

The State Board of Accounts audits all public libraries serving the State of Indiana. The library supervisor has the responsibility to provide technical assistance for the audits of federal, state and local funds and to implement all new auditing standards and accounting principles adopted by the various standard-setting bodies. In addition, the office supervisor provides guidance to the individual libraries on a variety of matters.

Two regional library budget clinics are held each spring in cooperation with the Department of Local Government Finance and the Extension Office of the Indiana State Library. New legislation, accounting changes, and budgeting matters are discussed at these clinics.

Two regional library bookkeeping workshops are conducted each fall for new library directors, treasurers, and bookkeepers. Accounting forms prescribed for libraries are discussed at these workshops as well as bookkeeping and financial statement preparation. In addition, libraries are given guidance on various recurring issues and audit positions.

The Accounting and Uniform Compliance Guidelines Manual for Libraries is published and updated annually by the State Board of Accounts to assist officers and employees of the public libraries. The manual includes important information about library board and employee responsibilities, revenue sources, allowable expenditures, budgeting, operating procedures, and uniform compliance guidelines.

## **HOSPITALS**

### **Overview**

The State Board of Accounts is responsible for the audits of twenty county hospitals operating under IC 16-22. Although these hospitals originally organized under the 1903, 1913 or 1917 hospital law, they all presently operate under the Uniform County Hospital Law.

### **Office Supervisor Responsibilities**

The Supervisor of Hospitals is responsible for assisting the State Examiner and Deputy State Examiners in developing audit positions regarding hospitals. The Supervisor also handles all calls and correspondence regarding hospitals on behalf of the State Examiner and assists field staff in the implementation of pronouncements issued by the Government Accounting Standards Board, and the Financial Accounting Standards Board, as well as Statements of Position issued by the American Institute of Certified Public Accountants.

## **STATE UNIVERSITIES**

The State Board of Accounts performs annual audits of the financial statements of each of Indiana's seven state-supported institutions of higher education. Each university publishes an annual financial report that includes the State Board of Accounts' opinion on the financial statements of that university.

Statement No. 14 of the Governmental Accounting Standards Board (GASB) effective for financial statements for periods beginning after December 15, 1992, mandated the inclusion of each of Indiana's state supported universities as discrete component units in the annual financial report of the State of Indiana. The combined efforts of staff members in each university and field examiners of the State Board of Accounts make it possible to gather the required audited information in a timely manner for inclusion in the State of Indiana's Comprehensive Annual Financial Report (CAFR).

In addition to the audit of the university financial statements, the State Board of Accounts also performs the audit of federal awards received by each. These audits are conducted in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. By performing these audits in accordance with OMB Circular A-133, separate audits of the grants from the federal agencies are not required.

Other auditing services are provided to the universities as they are requested. For example, the State Board of Accounts completes the audit requirements of the National Collegiate Athletic Association (NCAA) for two of the State's seven universities. We also accomplish the audit requirements of the Corporation for Public Broadcasting for three of the universities that have radio and/or television stations. If instances of potentially fraudulent acts of a financial nature occur, the State Board of Accounts investigates and issues a supplemental report when necessary. Other auditing and reporting requests are considered on a case-by-case basis.

## **NONGOVERNMENTAL ENTITIES**

### **Overview**

Effective September 1, 1986, the State Board of Accounts became responsible for the examination of the records and accounts of entities receiving financial assistance from governmental sources. Entities are defined as providers of goods, services, or other benefits that are maintained in whole or in part at public expense or supported in whole or in part by appropriations, public funds or taxation. The definition does not include the state or municipalities, but does include for-profit and not-for-profit corporations, unincorporated associations and organizations and individuals. Financial assistance is defined as payments received in the form of grants, subsidies, contributions, aid, etc.

Entities are primarily nongovernmental organizations, many of which conduct their business as a not-for-profit corporation. By contract or other form of agreement, these entities provide a service or benefit to the public on behalf of and paid for by government.

The State Board of Accounts' responsibilities concerning these entities evolved as a result of the increased role of the nongovernmental sector in performing traditional government services and functions. Numerous studies documented the increasing tendency of government to contract with private organizations, primarily not-for-profit corporations, for services it usually performed itself. Since most of these organizations operated outside the accountability and control systems that exist for government agencies, concern was raised over the difficulty of monitoring and evaluating the expenditures of these public funds.

In response to these concerns, the Indiana Legislature commissioned the Legislative Services Agency to evaluate the reporting, accountability and auditing of public funds received and expended by private organizations. Their report, issued May 1985, concluded that a need for centralized oversight of these organizations' audits and reporting process existed.

The Legislature responded with the enactment of IC 5-11-1-9, which delegated the "oversight" responsibility to the State Board of Accounts. Specifically, the State Board of Accounts is to ensure that audits, in accordance with agency guidelines, are performed for all entities receiving financial assistance from state or local government sources. The State Board of Accounts is also required to establish a system of review, follow-up, and resolution of any findings of noncompliance identified during the audit process.

Prior to September 1, 1986, entities receiving state or local government assistance were not subject to independent audits unless required by the provider of funds or by internal organizational policy. However, those entities receiving federal funds directly from the U.S. Treasury or as a "pass-thru" from a state or local government were, and are presently, subject to federal audit requirements (OMB Circular A-133). As of September 1, 1986, all entities receiving assistance from state and local government, involving federal or non-federal dollars, are subject to audit by State law. Indiana Code 5-11-1-9 requires the complete audit of an entity when the public funds disbursed are equal to or greater than 50% of the entity's total disbursements. The State Examiner may waive the audit requirement if the public funds disbursed are less than 50% of the total disbursements, or at least 50%, but less than \$100,000 if the entity is organized as a not-for-profit corporation. The audit requirements may be waived if the State Examiner determines in writing that all disbursements of public funds appear to be made for the purposes for which the funds were received.

The State Board of Accounts has identified more than 2,300 entities that are subject to the requirements of IC 5-11-1-9.

### **Annual Report**

Entities subject to the requirements of IC 5-11-1-9 are required to file an Entity Annual Report with the State Board of Accounts within thirty days of the close of their fiscal year. This report provides general information about the entity and also discloses the public funds received and disbursed during the year.

### **Audit Coordination**

The coordination and administration of audits of entities is somewhat complex. The audits may be performed by the State Board of Accounts or private examiners approved by the State Board of Accounts. Audit costs are to be paid by the entity examined.

The State Board of Accounts actually performs very few of these audits. Due to manpower limitations, ever-increasing audit requirements mandated by federal agencies for state and local governments and the Department's traditional view that government agencies within the State will be audited by the State Board of Accounts, we have allowed the audits of entities to be performed by private examiners approved by the State Board of Accounts. However, when we become aware of suspected instances of fraud or abuse within any of these organizations, the State Board of Accounts has assumed a more active and aggressive role in the auditing process to help ensure that the interests of the taxpayers are protected.

Each year, the State Board of Accounts assists all reporting entities in both determining and meeting their audit requirements.

Most audits of entities are coordinated directly between entities and the State Board of Accounts. In most cases, entities are advised to engage outside private examiners to perform the required audit. To assist entities in this process we have made step-by-step instructions regarding procurement of audit services available.

Prior to the enactment of IC 5-11-1-9, each funding agency addressed its own audit needs. Since that time, the State Board of Accounts has developed working relationships with major state funding agencies including the Family and Social Services Administration, the Department of Workforce Development, and the Department of Education regarding the audits of entities. The State Board of Accounts has become responsible for auditing multi-funded entities and has successfully implemented the concept of one audit satisfying all requirements.

### **Audit Guidelines**

IC 5-11-1-9 requires the State Board of Accounts to develop guidelines for these audits. We have made several revisions to these guidelines since they were originally issued in 1986. Our last revision was made in 2003.

### **Contract Approvals**

Since most audits of entities are performed by private examiners, contracts for these engagements are submitted to the State Board of Accounts for approval. The Department reviews all contracts to determine that the needs will be completely satisfied by the performance of one audit. As a result, the traditional practice of performing "multiple audits" or "grant audits" has essentially been eliminated.

The private examiners are also evaluated during the contract approval process. The State Board of Accounts ensures that these examiners are licensed to practice in the State, are aware of government audit standards, if applicable, and do not have a record of performing substandard work.

Over the years, the State Board of Accounts has seen marked improvements in the general knowledge of, acceptance of, and compliance with the contract approval process.

### **Audit Review**

Although IC 5-11-1-9 allows the engagement of private examiners to perform entity audits, the primary responsibility for the audits remains with the State Board of Accounts. As a result, desk reviews are performed by this Department on all audits performed by private examiners. In addition, field reviews of the private examiner's work are conducted occasionally by our Department.

### **Office Supervisor Responsibilities**

In addition to implementing the requirements of IC 5-11-1-9, the Supervisor is responsible for addressing all telephone calls and correspondence regarding entities on behalf of the State Examiner. The Supervisor assists field staff with their entity assignments, offers technical assistance to private examiners, entities, and governmental funding agencies, and mediates disagreements between different funding agencies or between funding agencies and entities.

## **INFORMATION SYSTEMS AUDIT**

The Information System (IS) Audit group is divided into three general categories: Audit; Computerized Audit Tools; and Information Collection and Analysis.

IS Audit staff review major computerized accounting systems to obtain an understanding of how the unit's use of information technology may affect controls relevant to the audits, as required by auditing standards. Some of these reviews take place prior to system implementation to help ensure appropriate controls are integrated during system development. Staff also provide training and support to enable all Field Examiners (FE) to perform general reviews of the governmental units' accounting systems.

IS Auditors help ensure that the Board of Account's hardware, software and electronic data needs are met. TeamMate is an audit project and workpaper management tool from Price Waterhouse Coopers which is used by all FEs. IS Audit staff provide TeamMate training and support to FEs, and maintain the audit steps, preformatted workpapers, exceptions and reports within this software. They also develop and maintain macros used in preformatted workpapers, and maintain the agency's public and secure web pages.



IS Auditors develop, maintain and run programs to extract, categorize, summarize, format and disseminate data from a wide variety of sources including the Auditor of State, Department of Education, Bureau of Motor Vehicles, Department of Revenue, Public Employees Retirement Fund, and the Medicaid and Child Support systems. This provides information FEs need for the State's Consolidated Annual Financial Report (CAFR), local unit financial statements, audit samples, transaction sampling, fraud investigations, verification that Auditor of State distributions are properly accounted for at local units, and many other audit purposes.

IS Auditors develop, maintain and provide user support for the Tax Increment Finance System and the Computerized Annual Report Program used by local governmental units. They also develop, maintain and support Board of Accounts applications and databases related to audit management and billing, and the tracking of charge reports, continuing professional education, FE locations, accounting applications used by local governmental units.

### **PRESCRIBED AND APPROVED FORMS**

In accordance with IC 5-11-1-2, the State Board of Accounts prescribes accounting forms for use by governmental units. Any governmental unit wishing to replace a prescribed form with a form designed for their use is required to submit the proposed form to the State Board of Accounts for approval. The State Board of Accounts maintains a file of accounting forms approved for use in lieu of prescribed forms. Prescribed forms are continually updated.

### **QUALITY CONTROL**

The State Board of Accounts' Quality Control Division consists of individuals responsible for ensuring that the State Board of Accounts has adopted, and is following, applicable auditing standards, audit policies and procedures. The Quality Control Division is achieving these goals by implementing modifications, and/or developing report formats, audit programs, and working paper forms whenever a new pronouncement or regulation is released from one of the authoritative boards. This division is also responsible for the development and presentation of training to all field staff.

Once every three years, the State Board of Accounts is required to undergo an external quality control review. The Quality Control Division also oversees the external quality control review. The external quality control review determines whether the State Board of Accounts' internal quality control system is in place and operating effectively to provide reasonable assurance that established policies and procedures and applicable auditing standards are being followed.

The State Board of Accounts has successfully passed all quality control reviews required.

### **TECHNICAL STANDARDS**

The supervisor for technical standards is responsible for the implementation of new auditing standards and accounting principles when promulgated by the national standard setting bodies. To ensure that field examiners are aware of changes, newly adopted standards and principles are communicated in regular in-house training seminars.

In the most recent fiscal year, the State Board of Accounts had adopted new standards of the Governmental Accounting Standards Board, as well as numerous technical bulletins, AICPA Statements of Position, and standards of the Financial Accounting Standards Board.

## **RECOUNTS**

The State Board of Accounts has the statutory responsibility to conduct election recounts of state and congressional offices as ordered by the State Recount Commission. During this process, the State Board of Accounts reviews the county election and security procedures, inspects voting equipment, records the vote count from the voting equipment, and counts all absentee and paper ballots. Various types of voting equipment are used throughout the State, ranging from electronic voting machines to punch cards. As a part of the counting procedure, the State Board of Accounts must make a determination as to whether each paper or absentee ballot has all of the elements required by statute, such as the proper initials, and seal of the clerk. In addition, the State Board of Accounts must note any other items affecting the validity of a ballot, such as distinguishing marks. After the count is complete, the State Board of Accounts issues a report to the State Recount Commission. Evidence from all candidates is heard at a public hearing conducted by the State Recount Commission. The State Board of Accounts is required to testify at the hearing regarding its findings. The entire process is to be completed by December 20 following the November election. Significant numbers of professional staff are devoted to properly conduct the recounts.

The State Board of Accounts has received many complimentary comments concerning our participation in the recount process, as quoted in the Indianapolis Star.

- "This system is good enough to take to the bank," proclaimed Democratic attorney Edward O. DeLaney, one of a handful of attorneys who deal in depth with election and recount law.
- "I am not in the practice of praising bureaucrats." DeLaney said, "but the Board of Accounts people are very, very good. They know what they are doing. They come in. They sit down and do it."

## **CHARGE REPORTS**

Pursuant to IC 5-11-5-1, if an examination report shows or discloses the potential commission of a criminal act by any person, it is the duty of the State Examiner to transmit and present the examination report and all available evidence to the grand jury of the county in which the alleged crime was committed.

If an audit report discloses missing funds or misappropriation of funds either through a failure of an official to properly perform his duties or otherwise, the examination report is transmitted to the Office of the Attorney General for civil recovery. As funds are recovered, the State Board of Accounts distributes the funds to the appropriate governmental units. Many times, however, funds are repaid by the responsible official during the examination.

## **CONFLICT OF INTEREST STATEMENTS**

Pursuant to IC 35-44-1-3, all conflict of interest statements of state and local government officials are to be filed with the State Board of Accounts. The conflict of interest statements are then reviewed during the examination of the affected governmental unit.

## **PUBLIC OPINION**

Through the years, the State Board of Accounts has received many complimentary remarks from taxpayers, citizens and public officials which may be summed up best by providing a portion of an editorial from a Southern Indiana newspaper.

- "Honesty in government." An oft-used phrase, especially at election time, but what does it really mean?

Since governments in the United States are to be responsive to the voters, the voters must be protected from mistakes and dishonesty. Even in the smallest of communities, government handles a great deal of money.

While the vast majority of us do not understand the procedures that governments go through in gathering and spending money, we do have someone in our corner. It's called the State Board of Accounts. The agency is charged with the responsibilities of auditing the various governmental agencies in Indiana.

Primarily, their work is done behind the scenes and little is heard about them. However, when discrepancies are uncovered, the State Board of Accounts can become very familiar to local citizens.